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Policies and Procedures

Title: Civil Service Retirement System (CSRS)
& Federal Employees' Retirement System
(FERS)

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This DIRECTIVE is preliminary. The Office of Personnel Management is currently rewriting the Retirement Chapters of the Federal Personnel Manual (FPM). This DIRECTIVE will be revised as the new chapters are issued.

The information in this DIRECTIVE outlines information on the Civil Service and the Federal Employees' Retirement Systems. Retirement benefits:

- Provide employees with a measure of income protection in case of disability;
- Provide annuities for survivors in case of death; and
- Pay retirement annuities in later years.

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1. ABBREVIATIONS

AFA	- Alternative Form Annuity
CFR	- Code of Federal Regulations
CSRS	- Civil Service Retirement System
DPM	- Department Personnel Manual
FERS	- Federal Employees' Retirement System
FPM	- Federal Personnel Manual
FSPS	- Foreign Service Pension System
LERB	- Labor and Employee Relations Branch
MRA	- Minimum Retirement Age
OPM	- Office of Personnel Management
POB	- Personnel Operations Branch
RIF	- Reduction in Force
SPO	- Servicing Personnel Office
USC	- United States Code

2. FORMS

- AD-581 - Lump Sum Leave or Compensatory Time Payments
- SF-2800 - Application for Death Benefits (CSRS)
- SF-2801 - Application for Immediate Retirement Under the Civil Service Retirement System
- SF-2818 - Election of Post Retirement Basic Life Insurance
- SF-2824-A - Applicant's Statement of Disability (CSRS)
- SF-2824-B - Supervisor's Statement (CSRS)
- SF-2824-C - Physician's Statement (CSRS)
- SF-3104 - Application for Death Benefits (FERS)
- SF-3105-A - Applicant's Statement of Disability (FERS)
- SF-3105-B - Supervisor's Statement (FERS)
- SF-3105-C - Physician's Statement (FERS)
- SF-3107 - Application for Immediate Retirement (FERS)

Note: See Exhibits 1 & 2 to determine what forms to use.

3. COVERAGE

All employees are covered under either CSRS or FERS except those specifically excluded by law or by OPM regulations.

4. POLICY/PROGRAM

Policy Requirements Personnel (POB shall):

- Reemploy annuitants solely for the benefit of ARS and not for the purpose of providing personal benefit to the annuitant.
- Reassign employees, if at all possible, to positions of like grade or class to retain a partially disabled employee in a productive capacity.

Program Requirements Personnel (LERB shall):

- Be responsible for designating the Agency headquarters level retirement counselors and a designated certifying officer.
- Bear overall responsibility for the quality and timeliness of submissions of records to OPM through the National Finance Center.
- Insure all records and required documentation are received by OPM no later than 30 days after the date of separation (or death in the case of a deceased employee).
- Insure that all records on disability retirement along with supporting documentation will be received by OPM no later than 30 days after the date the employee files the application.
- Provide advance counseling to employees on their retirement benefits and aid them in making retirement plans.
- Provide counseling and claims assistance to spouse and other next of kin in cases of death of an employee.
- Encourage employees to keep supervisors advised as far in advance as possible of retirement plans so management may plan staffing and training needs.

5. AUTHORITIES

- 5 CFR 831 & 841 through 846
- FPM & DPM 831 & 841 through 846

- FPM & DPM Supplement 831-1
- 5 U.S.C 83 & 84

6. RESPONSIBILITY - CSRS & FERS

Retirement & Benefits Section (LERB) will:

- Conduct pre-retirement planning seminars for those employees who are 5 to 10 years from retirement.
- Determine employees' retirement coverage.
- Provide pre-retirement counseling for individual employees.
- Counsel employees concerning:
 - Service credit payments
 - Post-56 military deposits
 - Rules on eligibility for retirement
 - Eligibility for continued life and health insurance
 - Rules on creditable service
 - Waiving military retired pay
 - Survivor benefit options
 - Estimates of benefits on individual retirement annuities
 - Death benefits

7. RETIREMENT ELIGIBILITY - CSRS

Employees may retire at the following ages and receive an immediate annuity if they have at least the amount of Federal service shown below:

Type of Retirement	Minimum Age	Minimum Service (years)	Special Requirements
Immediate	62	5	None
	60	20	None
	55	30	None
	50	20	Optional retirement for law enforcement and firefighter personnel only
	Any	25	

	Age*	The agency must be undergoing a major reduction in force as determined by OPM.
	50*	20
Discontinued Service	Any Age*	25 The separation must be involuntary and not for misconduct or delinquency as determined by OPM.
	50*	20
Disability	Any Age	5 Must be totally disabled for service in the position occupied or other positions of the same grade and pay level.
Deferred	62	5

*Annuity is reduced, by 2 percent for each year under age 55.

Most military service counts towards retirement, but in all cases an employee must have had at least 5 years of civilian service in order to be eligible for retirement.

CSRS-OFFSET - The same eligibility requirement under 7 is applicable.

8. RETIREMENT ELIGIBILITY - FERS

Type of Retirement	Minimum Age	Minimum Service (years)	Special Requirements
Immediate	62	5	None
	60	20	None
	MRA	30	Minimum Retirement Age:

MRA	10*	If you were born	Your MRA is
		Before 1948	55
		In 1948	55 & 2 months
		In 1949	55 & 4 months
		In 1950	55 & 6 months
		In 1951	55 & 8 months

In 1952	55 & 10 months
In 1953 through 1964	56
In 1965	56 & 2 months
In 1966	56 & 4 months
In 1967	56 & 6 months
In 1968	56 & 8 months
In 1969	56 & 10 months
In 1970 and after	57

Early or Discontinued Service	50	20	Early - The agency must be undergoing a major reduction in force as determined by OPM.
	Any Age	25	Discontinued Service - The separation must be involuntary and not for misconduct or delinquency as determined by OPM.

Deferred 62 5

60	20
MRA	30
MRA	10*

Disability	Any Age	18 months	Must be totally disabled for service in the position occupied or other positions of the
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same grade or pay level.

* Reduced benefits - means if you retire at the MRA with at least 10 but less than 30 years of service, your benefit will be reduced at the rate of 5 percent a year for each year you are under age 62.

Military service performed on or after January 1, 1957, is creditable only if a deposit of 3 percent of basic pay earned in military service is paid.

9. COMPUTATION OF ANNUITIES - CSRS and CSRS OFFSET

- The basic annuity is computed on factors of length of service (which includes unused sick leave if retiring on an immediate annuity) and "high-three" average pay. "High-three" average pay is the highest average basic pay earned during any 3 consecutive years of service.

The basic annuity will be **reduced** because of:

- retiring before age 55
- providing for a survivor annuitant
- failing to make a deposit for service during which no deductions were taken from pay.

It will not be reduced for age, however, in cases of disability retirement.

Generally, the basic annuity cannot be more than 80 percent of "high-three" average pay, but if the amount in excess of 80 percent is due to crediting unused sick leave, it is payable.

An employee can increase retirement income by buying additional annuity through voluntary contributions.

- The yearly basic annuity will be:
 - 1 ½ percent of the "high-three" average pay times 5 years of

service, plus

- 1 3/4 percent of the "high-three" average pay times years of service over 5 and up to 10, plus
- 2 percent of the "high-three" average pay times years of service over 10. (A different formula is used for firefighters.)
- Annuities may also be adjusted on the basis of future cost-of-living increases. A slight variation of this formula is used when the "high-three" average pay is less than \$5,000.
- A comparative computation is made using length of service and average pay as of the day before the last cost-of-living annuity increase. This is to ensure that if an employee had retired after a cost-of-living increase the annuity would be no less than if the employee had retired the day before the annuity increase. The employee receives the higher of the two rates in this comparison.
- Depending on the category of retirement benefits received, benefits may be reduced as described under Section H, Retirement Eligibility-CSRS.
- CSRS-OFFSET - The same computation factors under J are applicable.

10. COMPUTATION OF ANNUITIES - FERS

Annuity is calculated based on the "high-three" average pay. This is figured by averaging the highest basic pay over any 3 consecutive years of service. Unused sick leave may not be converted for extra retirement credit. The benefit is calculated according to this formula:

- 1 percent of your "high-three" average pay times years of creditable service. At retirement age 62 or later with at least 20 years of service, a factor of 1.1 percent is used rather than 1 percent.
- Depending on the category of retirement benefits received, benefits may be reduced because of providing for a survivor

annuitant and as described under Section I, Retirement Eligibility - FERS.

11. DEATH BENEFITS - CSRS

A deceased employee and surviving spouse must meet certain requirements before spousal survivor annuity benefits are payable upon the death of the employee.

- For a survivor annuity to be payable under CSRS to a spouse, one of the following requirements must apply:
 - The surviving spouse and the employee must have been married for at least 9 months; or
 - A child was born of the marriage; or
 - The death of the employee was accidental.
- A spouse receives 55 percent of the HIGHER of Section 11, bulleted paragraph 2 below:
 - An annuity computed under the general formula based on the deceased employee's "high-three" average salary and length of service to date of death, including credit for unused sick leave.
 - A "guaranteed minimum" which is the lesser of;
 - 40 percent of the deceased employee's "high-three" average salary; or
 - The regular annuity obtained after increasing the deceased employee's length of service by the period of time between the date of death and the date he or she would have been age 60.
- Dependent children are entitled to survivor annuities upon the death of an employee. This annuity is provided by law. An employee does not have to elect it. To qualify for a survivor annuity, the child (including a legally adopted child) of a deceased employee must meet one of the following:

- Have been dependent on the employee at the time of death;
- Be unmarried; and under age 18;
- Age 18 to 22 and a full-time student; or
- Over age 18 and incapable of self-support due to a disability incurred before age 18.
- Lump-sum payment may be payable to one or more children upon the death of an employee if there is no surviving spouse.

12. PROVIDING FOR SURVIVORS ON RETIREMENT - CSRS

At the time of retirement, an employee can elect either to receive full annuity or to name the spouse as a survivor annuitant and receive a reduced annuity. If the employee chooses a reduced annuity, the spouse will be entitled to receive a survivor annuity to start immediately upon the annuitant's death. In order to provide a survivor annuity, the annual annuity will be reduced by 2 ½ percent of the first \$3,600, plus 10 percent of that portion above \$3,600. The survivor annuity will be 55 percent of the amount of the employee's annual annuity before this reduction.

An employee may select a base for the survivor benefit that is only part of the annuity. For example, if an employee is entitled to a basic annuity of \$3,200 a year, the employee can select a survivor annuity base of only \$2,000 of the annuity. The annuity will then be reduced by 2 ½ percent of \$2,000 and there will be no reduction on the other \$1,200. The survivor's annuity in this case would be 55 percent of the \$2,000 instead of 55 percent of \$3,200.

If the spouse named at time of retirement predeceases the annuitant, or the marriage is otherwise dissolved, upon notification to OPM the annuity will be recomputed and paid as if a survivor annuity had not been elected. If the annuitant remarries, the spouse acquired after retirement will be eligible to receive the same survivor benefit as the spouse at the time of retirement. If an employee is unmarried at time of retirement and later marries, the employee may, within 2 years after the marriage, elect a reduced annuity with survivor benefits to the spouse.

To be eligible for a survivor benefit the spouse must be married to the employee for at least 9 months before the employee's death; or, if married, be the parent of a child born of the marriage.

If an employee is married and elects to take a full annuity, the spouse (married before or after retirement) will not be entitled to an annuity upon death, but dependent children will be entitled to an annuity upon death, as described in Section 11.

If unmarried, the employee can name someone with an insurable interest (a relative, for example) as survivor annuitant, provided the employee is in good health. In this case, the age of the person named in relation to the employee's age determines the amount of reduction in the annuity. For example, if a retiring employee's full annuity is \$10,000 and a person who is 18 years younger than the employee is selected for a survivor annuity, the rate of reduction is 25 percent. In this case, the annuity with survivor benefit would be \$7,500. As a survivor the person named would receive 55 percent of the retired employee's reduced annuity which would be \$4,125.

13. DEATH BENEFITS - FERS

The basic employee death benefit is a benefit payable to the spouse of a deceased employee who met certain eligibility requirements at the date of death. For the basic employee death benefit to be payable, a deceased employee must have:

- Completed at least 18 months of creditable civilian service; and
- Died while enrolled in FERS.

For a survivor annuity to be payable (under FERS) to a spouse, the spouse must meet the same requirements as under CSRS, Section 11.

A monthly survivor annuity is payable to a spouse, if the employee:

- Completed at least 18 months of creditable civilian service; and
- Completed at least 10 years of total creditable service; and

- Died while enrolled in FERS.

A spousal survivor annuity is computed as if the employee retired optionally (with no age reduction) on the date of death. The survivor receives 50 percent of the employee's basic annuity, based on the deceased employee's type of service, length of service, and "high-three" average salary at date of death.

Dependent children will also be entitled to benefits in accordance with Section 11, under Death Benefits - CSRS.

The death computation is:

- \$15,000 (increased by all CSRS cost of living adjustment (COLA's) beginning December 1, 1987), plus
- 50 percent of the employee's final salary (or "high-three" average salary if higher).
- To determine the 50 percent of final salary of:
 - Full time employees, use the employee's basic pay as of date of death;
 - Part-time employees, prorate the final salary according to tour of duty that was in effect immediately before death;
 - Intermittent employees, multiply the final hourly rate by the number of hours worked in the last 52 weeks immediately preceding the end of the last pay period the employee was in pay status.
 - The "high-three" average salary for basic employee death benefit is computed the same as for regular annuity computation.
 - If the employee has less than 3 years of service, the salary is simply averaged for the total period of service.

The surviving spouse must elect whether to receive the basic employee death benefit in one payment or in 36 monthly installments. The total amount paid in 36 installments is slightly larger than a single lump-sum payment because it includes interest.

The spouse may, at any time, elect to stop receiving the basic employee death benefit installment payments and receive a lump-sum payment of the unexpended balance. The amount of the lump-sum payment will be less than the sum of the remaining payments because the interest stops on the date of the last payment.

Lump-sum payment under FERS is payable if there is no survivor who is entitled to monthly survivor annuity benefits on the death of an employee. The total lump-sum credit in FERS is payable to the person(s) entitled under the normal order of precedence.

14. PROVIDING FOR SURVIVORS ON RETIREMENT - FERS

An employee, at the time of retirement, can elect one of the following options:

- An annuity reduced to provide a full survivor benefit to your spouse after death.
- An annuity reduced to provide a partial survivor benefit to your spouse after death.
- An annuity payable only during your lifetime.
- An annuity reduced to provide survivor benefits to a person who has insurable interest after death.
- An annuity reduced to provide full or partial survivor benefits to a former spouse(s) after death.

15. REFUND OF CONTRIBUTIONS - CSRS/FERS

Eligibility Requirements under CSRS

A former employee must meet all of the following requirements to be eligible for a refund:

- Separated from the service for at least 31 consecutive days or transferred to a position in which he/she is not subject to CSRS, CSRS Offset, or FERS deduction and remains in such a position

for at least 31 consecutive days;

- File an application with OPM for a refund;
- Not be reemployed in a position subject to CSRS or FERS deductions at the time the application is filed;
- Not be eligible to receive an annuity within 31 days after filing the application;
- Not be prohibited from receiving a refund because of a court order;
- Comply with requirements for notification of current and former spouse(s).

Interest on Contributions - CSRS

Interest on all contributions is paid as follows:

- One year or less in the periods covered by unrefunded retirement deductions and deposit, no interest due;
- More than 1 year of service in the periods covered by unrefunded deduction and deposit, but less than 5 years of creditable civilian service - 4 percent interest through December 31, 1947, and 3 percent thereafter compounded annually to date after separation.

Effect of refund on right to deferred retirement

Employees paid a refund after completing 5 years of civilian service, give up the right to deferred retirement unless they are later reemployed as a member of a CSRS or CSRS Offset and acquire a new right.

Eligibility Requirement under FERS

The primary eligibility requirements listed above under Section 15, first paragraph "Eligibility Requirements under CSRS", entirely applicable under FERS.

- Payment of a refund of FERS deductions permanently voids any

retirement rights based on the periods of FERS service that the refund covers.

- Payment of a refund of a prior FERS deposit (i.e., for non-deduction service performed prior to January 1, 1989, or of a redeposit for a period of CSRS service now credited under FERS rules for which a refund was made before FERS coverage first became effective) is treated as a refund of FERS deductions and permanently voids any retirement rights that are based on the periods of service covered by the payment.
- When an employee who transferred to FERS has future entitlement to an annuity with a CSRS component and requests a refund of all FERS retirement funds, OPM pays all monies to the person's CSRS credit.

A CSRS component is that portion of FERS annuity computed under CSRS rules. A benefit will have a CSRS component if the employee:

- Elected to transfer to FERS; and
- Had 5 or more years of creditable civilian service, not counting CSRS Offset or Interim Service, performed as of the date of the employee's transfer to FERS.
- If a former employee transferred to FERS with a CSRS component, the former employee may request a refund of CSRS contributions only. The former employee must attach a statement to the FERS refund application specifying this request.

Interest on Contributions - FERS

No interest is paid on a refund of FERS contributions:

- If service covered by the contributions totals 1 year or less in the aggregate; or
- For a fractional part of a month.

Interest on refunded FERS contributions is compounded annually through the last day for the month preceding the date

OPM makes payment.

The interest rate is determined annually by the Department of Treasury based on the average yield of new investments purchased by the fund during the previous fiscal year.

16. MAKING DEPOSITS AND REDEPOSITS FOR PREVIOUS SERVICE

Under CSRS

Deposits for nondeduction service may be made only by:

- An employee who currently is covered by CSRS, CSRS Offset, or FERS.
- A separated employee who is entitled to an immediate annuity.
- A former employee who is entitled to a deferred annuity.
- The spouse of a deceased employee who is entitled to a survivor annuity.
- The former spouse of a deceased employee who is entitled to a survivor annuity.
- A deposit may be made at any time prior to the final adjudication of the individual's "retirement" or "survivor" claim.

Under FERS

- A FERS employee may make a deposit to credit nondeduction service performed before January 1, 1989. Nondeduction or deposit service performed before January 1, 1989, does not count for eligibility or computation purposes unless the employee pays the deposit prior to the final adjudication of his or her retirement claim.
- Nondeduction service performed on or after January 1, 1989, is not creditable under FERS for any purpose.
- A FERS employee may not redeposit a refund for FERS service

that he or she received after becoming covered by FERS.

17. ALTERNATIVE ANNUITY ELECTIONS

CSRS

Eligible employees who elect the AFA when they retire, receive a reduced annuity (including a survivor annuity option) plus a lump-sum payment equal to all their retirement contributions.

- Eligibility
 - Employees who retire voluntarily on or after December 2, 1990, and before October 1, 1995, are not eligible to elect the AFA.
 - Employees who retire under "early out" because of RIF transfer of function are also ineligible for AFA.
 - Employees who retire under disability are not eligible to elect AFA.
 - Exceptions are those employees who are eligible for nondisability annuity and who have a life threatening affliction. Employees who qualify for AFA under this exception may receive only a single (100 percent) lump-sum payment. They may not choose partial payments (50/50).

Employees who are involuntarily separated from service other than for cause or charges of misconduct or delinquency may elect the AFA.

- Employees married at the time of retirement may not elect the AFA unless the employee's spouse consents to the election.
- Lump-sum payment - an employee who elects the AFA will receive a lump-sum payment consisting of:
 - unrefunded retirement deductions;
 - civilian service credit deposits;

- military service credit deposits;
- interest on any unrefunded deductions and deposits made before 1957.
- Computation of the Reduced Annuity - the computation of the reduction for election of the AFA is based on the employee's age at the time of retirement and the amount of the employee's "lump-sum credit." The lump-sum credit is the total of the amounts included in the lump-sum payment, plus the amounts of any deposits and redeposits that are deemed paid. The reduction is designed so that the amount of the AFA reduced annuity plus lump-sum payment is equivalent to the regular annuity that would be payable over the employee's lifetime.
- Deposits and Redeposits - if an employee owes any redeposits or deposits for civilian service and elects AFA, the deposits and redeposits are deemed to have been paid in computing the employee's annuity. The total of all deposits and redeposits are included in the employee's lump-sum credit for purposes of computing the amount of the AFA annuity reduction.
- AFA lump-sum payments are taxable under CSRS.
- OPM sends an election letter to retirees who are eligible to elect the AFA. The Agency, ARS, is not involved in the election of AFA.

FERS

The same requirements under CSRS eligibility mentioned above are applicable under FERS.

- The computation under FERS - the computation method for determining the reduced annuity for election of the AFA for FERS transferees with a CSRS component is very similar to the computation method for CSRS and FERS employees. The age factors are different under FERS. Your individual retirement counselor will have the age factors for CSRS and FERS employees.
- AFA lump-sum payments are taxable under FERS.

- The election of AFA under FERS is the same as mentioned under CSRS above.

T. J. CLARK
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Exhibits

- 1 Employee Initiated Retirement Application Forms - CSRS
- 2 Employee Initiated Retirement Application Forms - FERS